Dear Committee,

We would like to take this opportunity to comment on the Coronavirus(Scotland) No 2 Bill, which the committee is currently considering. The Association of British Credit Unions represents just over half of Scotland's credit unions.

Our comments refer to the provisions within the bill relating to bankruptcy and, though they do not refer directly to the bill in its current form, we believe they are relevant to the committee's discussion to date, and some of the debate that we believe will happen as is progresses through Parliament in the coming week.

Firstly, we note that in the committee's letter to Michael Russell MSP of 13th May, a view is sought on the likelihood and viability of the emergency bankruptcy provisions being extended beyond the duration of the emergency legislation. We are of the view that, if Parliament is minded to make any of the new legislation permanent, it should be allowed to expire at the point the bill expires and be subject to a subsequent full consultation and debate.

As has been highlighted, as stakeholders, we have been asked for a view on all of the measures the Government has introduced (or is seeking to). However, this has clearly not been in line with normal consultation procedures. For the provisions within the first emergency bill, which will potentially have a significant impact on the credit union sector, we were given only a few hours window in which to give a view. Though we appreciate why this is, clearly this has not been enough time to enable us to fully consult our sector and to give consideration to the full consequences. Though we have largely been willing to support the new measures introduced to date, this has been based on the assumption that they are temporary measures. Without making any judgement on whether we'd be minded to support them as permanent measures, we would ask that any permanent law change is subject to a full consultation and debate, in which all stakeholders have a fair chance to contribute.

Secondly, though the bill in its current form does not include any provisions that would have the effect of banning interest and charges being applied to debts that are subject to a moratorium, we note the suggestion in yesterday's discussion that amendments may be tabled to this effect.

We would not support these measures, and would ask that Parliament does not pass them, for the following reasons.

- The Coronavirus Scotland Bill extended the moratorium on diligence from 6 weeks to 6 months. Anyone who has entered a moratorium since will not need to repay creditors until at least 6 October. By this stage, we understand there would be a review of the bill by the Scottish Government after three months, and MSPs will have had an opportunity to vote on the bill again, prior to it expiring. Given that there is no information available on the uptake or impact of the new provisions, and they've now been in place for only a month, we do not believe it makes sense to extend them at this time – a measure that will have no impact on anyone within a moratorium for at least 6 months.

- The credit unions sector is, as everyone else it, adjusting to the new reality and is doing what it can to assist its members during this time. As you would imagine a significant increase in payment holidays and arrears has already become noted and it will come as no surprise that, for a small sector with a statutory interest rate cap, this is causing our members some significant concerns about their own viability. Over the past two months have been in discussions with both the UK and Scottish Governments about support packages for the sector. Though the Scottish Government has announce a £2 million fund to grant loans to the credit unions (and has also granted a number of credit unions support via the Third Sector Resilience Fund), we note the fund closed to applications on 12th April. At that point, lockdown had only been in place for three weeks, and the provisions of the first Coronavirus Bill had only been in place a week. We understand applications to the fund were in excess of the available £2 million, and many members advised us that they simply were not in a position to assess the impact of the coming months (as the fund required), given how quickly things were moving. Clearly this bill, amended or not, will alter that ability even further and, as much as we want to support customers, we have significant concerns that the credit union simply cannot fund such measures in the long term.

Please note that we have since asked the Scottish Government if more money can be released to enable more credit unions to apply for financial support. As you will appreciate, it cannot be assumed that all creditors represent “big business”.

I hope that this is helpful in the committee’s discussions, and we’d be happy discuss this matter further.

Best wishes,
Karen Hurst

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